
A BILL FOR AN ACT

RELATING TO STATE BONDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Declaration of findings with respect to the
2 general obligation bonds authorized by this Act. Pursuant to
3 article VII, section 13, of the state constitution, which
4 states: "Effective July 1, 1980, the legislature shall include
5 a declaration of findings in every general law authorizing the
6 issuance of general obligation bonds that the total amount of
7 principal and interest, estimated for such bonds and for all
8 bonds authorized and unissued and calculated for all bonds
9 issued and outstanding, will not cause the debt limit to be
10 exceeded at the time of issuance", the legislature finds and
11 declares as follows:

12 (1) Limitation on general obligation debt. The debt limit
13 of the State is set forth in article VII, section 13,
14 of the state constitution, which states in part:
15 "General obligation bonds may be issued by the State;
16 provided that such bonds at the time of issuance would
17 not cause the total amount of principal and interest



1 payable in the current or any future fiscal year,
2 whichever is higher, on such bonds and on all
3 outstanding general obligation bonds to exceed: a sum
4 equal to twenty percent of the average of the general
5 fund revenues of the State in the three fiscal years
6 immediately preceding such issuance until June 30,
7 1982; and thereafter, a sum equal to eighteen and one-
8 half percent of the average of the general fund
9 revenues of the State in the three fiscal years
10 immediately preceding such issuance." Article VII,
11 section 13, of the state constitution also provides
12 that in determining the power of the State to issue
13 general obligation bonds, certain bonds are
14 excludable, including "[r]eimburseable general
15 obligation bonds issued for a public undertaking,
16 improvement or system but only to the extent that
17 reimbursements to the general fund are in fact made
18 from the net revenue, or net user tax receipts, or
19 combination of both, as determined for the immediately
20 preceding fiscal year" and bonds constituting
21 instruments of indebtedness under which the State



1 incurs a contingent liability as a guarantor, but only
 2 to the extent the principal amount of those bonds does
 3 not exceed seven per cent of the principal amount of
 4 outstanding general obligation bonds not otherwise
 5 excluded under said article VII, section 13, of the
 6 state constitution.

7 (2) Actual and estimated debt limits. The limit on
 8 principal and interest of general obligation bonds
 9 issued by the State, actual for fiscal year -
 10 and estimated for each fiscal year from - to
 11 - , is as follows:

<u>Fiscal</u> <u>Year</u>	<u>Net General</u> <u>Fund Revenues</u>	<u>Debt Limit</u>
For fiscal years	- , - , - ,	
- , and	- , respectively,	the debt limit
is derived by multiplying the average of the net		
general fund revenues for the three preceding fiscal		
years by eighteen and one-half per cent. The net		
general fund revenues for fiscal years	- ,	
- , and	- are actual, as certified by	
the director of finance in the Statement of the Debt		



1 Limit of the State of Hawaii as of July 1, , dated
 2 , . The net general fund revenues for
 3 fiscal years - to - are estimates,
 4 based on general fund revenue estimates made as of
 5 , , by the council on revenues, the body
 6 assigned by article VII, section 7, of the state
 7 constitution to make such estimates, and based on
 8 estimates made by the department of budget and finance
 9 of those receipts that cannot be included as general
 10 fund revenues for the purpose of calculating the debt
 11 limit, all of which estimates the legislature finds to
 12 be reasonable.

13 (3) Principal and interest on outstanding bonds applicable
 14 to the debt limit.

15 (A) According to the department of budget and
 16 finance, the total amount of principal and
 17 interest on outstanding general obligation bonds,
 18 after the exclusions permitted by article VII,
 19 section 13, of the state constitution, for
 20 determining the power of the State to issue
 21 general obligation bonds within the debt limit as



1 of April 1, , is as follows for fiscal year
2 - to fiscal year - :

3	Fiscal	Principal
4	<u>Year</u>	<u>and Interest</u>

5
6 The department of budget and finance further
7 reports that the amount of principal and interest
8 on outstanding bonds applicable to the debt limit
9 generally continues to decline each year from
10 fiscal year - to fiscal year -
11 when the final installment of \$ shall
12 be due and payable.

13 (B) The department of budget and finance further
14 reports that the outstanding principal amount of
15 bonds constituting instruments of indebtedness
16 under which the State may incur a contingent
17 liability as a guarantor is \$, all or
18 part of which is excludable in determining the
19 power of the State to issue general obligation
20 bonds, pursuant to article VII, section 13, of
21 the state constitution.



1 (4) Amount of authorized and unissued general obligation
2 bonds and guaranties and proposed bonds and
3 guaranties.

4 (A) As calculated from the state comptroller's bond
5 fund report as of , , adjusted for:

6 (i) Appropriations to be funded by general
7 obligation bonds or reimbursable general
8 obligation bonds as provided in Act 88,
9 Session Laws of Hawaii 2021 (the General
10 Appropriations Act of 2021), to be expended
11 in fiscal year - , adjusted for
12 additional appropriations provided in House
13 Bill No. (the Supplemental
14 Appropriations Act of 2022);

15 (ii) Lapses as provided in House Bill No.
16 (the Supplemental Appropriations Act of
17 2022);

18 (iii) Appropriations to be funded by general
19 obligation bonds or reimbursable general
20 obligation bonds as provided in Act 127,



1 Session Laws of Hawaii 2021 (the Judiciary
2 Appropriations Act of 2021); and
3 (iv) Lapses as provided in Bill No.
4 (the Judiciary Supplemental
5 Appropriations Act of 2022);
6 the total amount of authorized but unissued
7 general obligation bonds is \$. The
8 total amount of general obligation bonds
9 authorized in this Act is \$. The total
10 amount of general obligation bonds previously
11 authorized and unissued, as adjusted, and the
12 general obligation bonds authorized in this Act
13 is \$.
14 (B) As reported by the department of budget and
15 finance the outstanding principal amount of bonds
16 constituting instruments of indebtedness under
17 which the State may incur a contingent liability
18 as a guarantor is \$, all or part of
19 which is excludable in determining the power of
20 the State to issue general obligation bonds,

1 pursuant to article VII, section 13, of the state
2 constitution.

3 (5) Proposed general obligation bond issuance. As
4 reported therein for the fiscal years - , -
5 , - , - , and - , the State
6 proposes to issue \$ in general obligation
7 bonds during the first half of fiscal year - ,
8 \$ in general obligation bonds during the
9 second half of fiscal year - , \$ in
10 general obligation bonds semiannually during fiscal
11 years - and - , and \$ in
12 general obligation bonds semiannually during fiscal
13 years - and - . Generally, it has been
14 the practice of the State to issue twenty-year serial
15 bonds with principal repayments beginning in the third
16 year, the bonds payable in substantially equal annual
17 installments of principal and interest payment with
18 interest payments commencing six months from the date
19 of issuance and being paid semi-annually thereafter.
20 It is assumed that this practice will continue to be
21 applied to the bonds that are proposed to be issued.



1 (6) Sufficiency of proposed general obligation bond
 2 issuance to meet the requirements of authorized and
 3 unissued bonds, as adjusted, and bonds authorized by
 4 this Act. From the schedule reported in paragraph
 5 (5), the total amount of general obligation bonds that
 6 the State proposes to issue during the fiscal years
 7 - to - is \$. An additional
 8 \$ is proposed to be issued in fiscal year
 9 - . The total amount of \$ that is
 10 proposed to be issued through fiscal year - is
 11 sufficient to meet the requirements of the authorized
 12 and unissued bonds, as adjusted, the total amount of
 13 which is \$ reported in paragraph (4), except
 14 for \$. It is assumed that the
 15 appropriations to which an additional \$ in
 16 bond issuance needs to be applied will have been
 17 encumbered as of June 30, . The \$ that
 18 is proposed to be issued in fiscal year - will
 19 be sufficient to meet the requirements of the June 30,
 20 , encumbrances in the amount of \$. The
 21 amount of assumed encumbrances as of June 30, , is



1 reasonable and conservative, based upon an inspection
2 of June 30 encumbrances of the general obligation bond
3 fund as reported by the state comptroller. Thus,
4 taking into account the amount of authorized and
5 unissued bonds, as adjusted, and the bonds authorized
6 by this Act versus the amount of bonds proposed to be
7 issued by June 30, , and the amount of
8 June 30, , encumbrances versus the amount of bonds
9 proposed to be issued in fiscal year - , the
10 legislature finds that in the aggregate, the amount of
11 bonds proposed to be issued is sufficient to meet the
12 requirements of all authorized and unissued bonds and
13 the bonds authorized by this Act.

14 (7) Bonds excludable in determining the power of the State
15 to issue bonds. As noted in paragraph (1), certain
16 bonds are excludable in determining the power of the
17 State to issue general obligation bonds.

18 (A) General obligation reimbursable bonds can be
19 excluded under certain conditions. It is not
20 possible to make a conclusive determination as to
21 the amount of reimbursable bonds which are



1 excludable from the amount of each proposed bond
2 issued because:

3 (i) It is not known exactly when projects for
4 which reimbursable bonds have been
5 authorized in prior acts and in this Act
6 will be implemented and will require the
7 application of proceeds from a particular
8 bond issue; and

9 (ii) Not all reimbursable general obligation
10 bonds may qualify for exclusion.

11 However, the legislature notes that with respect
12 to the principal and interest on outstanding
13 general obligation bonds, according to the
14 department of budget and finance, the average
15 proportion of principal and interest that is
16 excludable each year from the calculation against
17 the debt limit is per cent for approximately
18 ten years from fiscal year - to fiscal
19 year - . For the purpose of this
20 declaration, the assumption is made that per
21 cent of each bond issue will be excludable from



1 the debt limit, an assumption that the
2 legislature finds to be reasonable and
3 conservative.

4 (B) Bonds constituting instruments of indebtedness
5 under which the State incurs a contingent
6 liability as a guarantor can be excluded, but
7 only to the extent the principal amount of those
8 guaranties does not exceed seven per cent of the
9 principal amount of outstanding general
10 obligation bonds not otherwise excluded under
11 subparagraph (A) of this paragraph; provided that
12 the State shall establish and maintain a reserve
13 in an amount in reasonable proportion to the
14 outstanding loans guaranteed by the State as
15 provided by law. According to the department of
16 budget and finance and the assumptions presented
17 herein, the total principal amount of outstanding
18 general obligation bonds and general obligation
19 bonds proposed to be issued, which are not
20 otherwise excluded under article VII, section 13,
21 of the state constitution for the fiscal years



1 - , - , - , - , and

2 - are as follows:

3		Total amount of
4		General Obligation Bonds
5		not otherwise excluded by
6		Article VII, Section 13
7	<u>Fiscal Year</u>	<u>of the State Constitution</u>

8

9 Based on the foregoing and based on the assumption

10 that the full amount of a guaranty is immediately due

11 and payable when such guaranty changes from a

12 contingent liability to an actual liability, the

13 aggregate principal amount of the portion of the

14 outstanding guaranties and the guaranties proposed to

15 be incurred, which does not exceed seven per cent of

16 the average amount set forth in the last column of the

17 above table and for which reserve funds have been or

18 will have been established as heretofore provided, can

19 be excluded in determining the power of the State to

20 issue general obligation bonds. As it is not possible

21 to predict with a reasonable degree of certainty when

22 a guaranty will change from a contingent liability to

23 an actual liability, it is assumed in conformity with



1 fiscal conservatism and prudence, that all guaranties
2 not otherwise excluded pursuant to article VII,
3 section 13, of the state constitution will become due
4 and payable in the same fiscal year in which the
5 greatest amount of principal and interest on general
6 obligation bonds, after exclusions, occurs. Thus,
7 based on such assumptions and on the determination in
8 paragraph (8), all of the outstanding guaranties can
9 be excluded.

10 (8) Determination whether the debt limit will be exceeded
11 at the time of issuance. From the foregoing and on
12 the assumption that all of the bonds identified in
13 paragraph (5) will be issued at an interest rate not
14 to exceed per cent in fiscal years through
15 , it can be determined from the following schedule
16 that the bonds that are proposed to be issued, which
17 include all authorized and unissued bonds previously
18 authorized, as adjusted, general obligation bonds, and
19 instruments of indebtedness under which the State
20 incurs a contingent liability as a guarantor



1 authorized in this Act, will not cause the debt limit
2 to be exceeded at the time of such issuance:

3 4 5 6 7	Time of Issuance and Amount to be Counted Against <u>Debt Limit</u>	Debt Limit at Time of <u>Issuance</u>	Greatest Amount and Year of Highest Principal and Interest <u>on Bonds and Guaranties</u>
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9 (9) Overall and concluding finding. From the facts,
10 estimates, and assumptions stated in this declaration
11 of findings, the conclusion is reached that the total
12 amount of principal and interest estimated for the
13 general obligation bonds authorized in this Act, and
14 for all bonds authorized and unissued, and calculated
15 for all bonds issued and outstanding, and all
16 guaranties, will not cause the debt limit to be
17 exceeded at the time of issuance.

18 SECTION 2. The legislature finds the bases for the
19 declaration of findings set forth in this Act are reasonable.
20 The assumptions set forth in this Act with respect to the
21 principal amount of general obligation bonds that will be
22 issued, the amount of principal and interest on reimbursable
23 general obligation bonds that are assumed to be excludable, and



1 the assumed maturity structure shall not be deemed to be
2 binding, it being the understanding of the legislature that such
3 matters must remain subject to substantial flexibility.

4 SECTION 3. Authorization for issuance of general
5 obligation bonds. General obligation bonds may be issued as
6 provided by law in an amount that may be necessary to finance
7 projects authorized in House Bill No. (the Supplemental
8 Appropriations Act of 2022) and Bill No. (the
9 Judiciary Supplemental Appropriations Act of 2022); passed by
10 the legislature during this regular session of 2022 and
11 designated to be financed from the general obligation bond fund
12 and from the general obligation bond fund with debt service cost
13 to be paid from special funds; provided that the sum total of
14 general obligation bonds so issued shall not exceed \$.

15 Any law to the contrary notwithstanding, general obligation
16 bonds may be issued from time to time in accordance with section
17 39-16, Hawaii Revised Statutes, in such principal amount as may
18 be required to refund any general obligation bonds of the State
19 of Hawaii heretofore or hereafter issued pursuant to law.

20 SECTION 4. The provisions of this Act are declared to be
21 severable and if any portion thereof is held to be invalid for



1 any reason, the validity of the remainder of this Act shall not
2 be affected.

3 SECTION 5. In printing this Act, the revisor of statutes
4 shall substitute in section 1 and section 3 the corresponding
5 act numbers for bills identified therein.

6 SECTION 6. This Act shall take effect upon its approval.



Report Title:

State Bonds; State Budget

Description:

Authorizes issuance of general obligation bonds. Makes findings required by Article VII, Section 13, of the Hawaii State Constitution to declare that the issuance of authorized bonds will not cause the debt limit to be exceeded. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

